

MONTANA BOARD OF HOUSING
Bitterroot River Inn and Conference Center
139 Bitterroot Plaza Drive
Hamilton, MT 59840
May 7, 2007

ROLL CALL OF BOARD

MEMBERS: J.P. Crowley, Chairman (Present)
Betsy Scanlin, Vice Chairman (Present)
Susan Moyer, Secretary (Present)
Audrey Black Eagle (Excused)
Bob Gauthier (Excused)
Jeanette McKee (Present)
Jeff Rupp (Present)

STAFF: Bruce Brensdal, Executive Director
Penny Cope, Marketing & Web Specialist
Mat Rude, Multifamily Program Manager
Gerald Watne, Multifamily Program Officer
Chuck Nemec, Accounting & Finance Manager
Nancy Leifer, Homeownership Program Manager
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

OTHERS: Gordon Hoven, Piper Jaffray
Jim Stretz, GK Baum
Jim Morton, District XI HRDC
Tim German, Sparrow Group
Gene Leuwer, Rocky Mountain Development Council
Keila Szpeller, The Missoulain
Rachael Baker, Wells Fargo Home Mortgage
James Hoffman, Missoula Housing Authority
Shellan Miller, Missoula Housing Authority
Paul Meizner, Missoula Housing Authority
Chuck Hossfeld, Missoula Housing Authority
Geoff Badenoch, Intermountain Development Co., Inc.
Heather McMilan, homeWord, Inc.
Nate Richmond, Summit Management Group, Missoula
Patrick Klier, Summit Management Group
Bob Thomas, past Board member
Amber Brensdal, Bruce's guest

CALL MEETING TO ORDER

Chairman, J. P. Crowley, called the meeting to order at 8:30 a.m.

INTRODUCTIONS AND PUBLIC COMMENTS

J. P. Crowley asked the Board, staff, and guests to introduce themselves and asked for any public comments. Jim Morton said there is pressure on land in communities which translates into higher costs and people are looking to different usage, such as mobile home courts, which have great land value and not as much as a business. A project in Superior will hopefully become a homeownership opportunity. The pilot program is using HOME funds and MBOH funds through Ravalli County to provide GAP financing for first-time home buyers. There is escalation in prices and not so much in wages, so this continues to cause problems for first-time home buyers who cannot find any type of housing in Missoula. They are looking for units for under \$150,000. In Missoula, the borrowers are looking at condos. Most of the borrowers can borrow between \$110,000 and \$120,000. Therefore there is a gap which gets wider. More people are taking advantage of products like Genworth. We use your money a lot, keep it coming.

APPROVAL OF MINUTES

Susan Moyer moved to approve the April 4th meeting minutes and the April 24th & 26th Conference Call minutes. Jeanette McKee seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

MULTIFAMILY PROGRAM

Mat Rude gave the statistics for Reverse Annuity Mortgages (RAM). The average loan life is 46 months, the average age is 76, and the average loan amount is \$68,308. He presented a map that shows the locations around the state where there are RAM loans. They will be marketing RAM more in the rural areas. Mat said lump sum exceptions trend will probably go up so people can pay off their house and not have the payment.

The Franklin School project had a loan from the Revolving loan account. They stopped making payments on the first mortgage and also for the MBOH second mortgage of \$300,000 for window replacement and are now in foreclosure. There will be an auction July 6th in Great Falls. Betsy asked if non-profits have been alerted. There was a discussion on options to save it for low-income housing stock. However, the numbers don't cash flow.

The Qualified Allocation Plan (QAP) meeting will be May 31st and June 1st at the Holiday Inn in Bozeman. The Board would like a conference call to discuss direction for the staff.

Mat said the Board had the request for reconsideration of tax credit allocations in their packets. JP asked for comments from the Missoula Housing Authority (MHA) and the Plum Tree, Coachman, and Spring Manor projects. The Fort Peck Housing Authority appeal was not received in time to give public notice, so it will be discussed at the next meeting. Geoff Badenoch, representing the Missoula Housing Authority, said they were both surprised and disappointed with the Board's decision last month with respect of the award of tax credits. They submitted a letter that outlined the areas of concern, especially with the process and a procedure that they can rely on. MHA felt they

didn't have an opportunity to get fully on the record with the various issues that were raised. Betsy Scanlin expressed appreciation for the tone of MHA and said that all the applicants do a fabulous job of trying to serve the needy, the people that we are trying to serve, and there are many wonderful aspects to that particular project and she would encourage them to come back. There wasn't anyone to represent the Warshield projects. JP Crowley asked if there was a motion from the Board to change any of the tax credit allocations. Jeff said the open meeting process keeps coming up and he thought we set the bar pretty high by allowing that to take place. Geoff Badenoch responded that he wasn't at the meeting, but understood that there was comments permitted and then there was further discussion from the Board where there were some discrepancies as to the accuracy of specific characteristics of application and there was no opportunity to comment after those, what we characterize as erroneous descriptions of applications prior to the vote. Pat Melby said he needed to get on the record that he looked at both the written transcripts prepared independently and listened to the recordings specifically and prior to, in fact, just immediately prior to the vote on the amendment to the motion, there was an opportunity provided to the public for comment. MHA said his understanding was that there was no opportunity to comment before the main motion and being able to add more helpful information to the Board before this decision. Pat Melby responded that the amendment basically ended up being the main motion and there was an opportunity to speak up on that amendment. Jeff Rupp reiterated that transparency in government and public process is important and he thinks we did that and did a good job of engaging everybody in the discussion. This is difficult when the Board needs to deliberate amongst themselves, yet decide how to go forward, so he struggled with engaging the public and still reserving that right of decision and felt we did a good job. Paul Meizner of MHA encouraged this Board to at least address the concerns that were raised by the Missoula Housing Authority in the letter and include the letter in your record of minutes in whatever form that you can place it. The process really has no value if you don't address the legitimate concerns of the agencies that are applying for tax credits on an annual basis and creating a transparent but workable format for us to know the rules of engagement and not have those rules seemingly change at the last minute. I would encourage you to respond to the concerns and show that this process is a workable process and that it is fair and impartial. Jeanette McKee responded that she was going to read actually what MHA requested. "The correction to that mistake could include but not be limited to correcting the allocation, approving an advanced allocation and/or providing other relief to assist MHA until a fair solution can be implemented". She is concerned that we ended up discussing the allegations that have been in the Missoulian about the Missoula Housing Authority. I voted no on the motion because I thought we had gotten away from what really we should have been voting on. Betsy said the process is important and predictability and reliability are important issues. The next QAP meeting in Bozeman will be very helpful to lay out more specific criteria for both the applicants and the Board. We are working on a public record and it's not just the application, but also the public record out there, what we are apprised of and actual knowledge and that there may be problems, which came after the applications and can't be ignored. We had two very fine applications from Missoula, we worked very hard, had thorough deliberation, a very open process and once the amendment was made; we did have an opportunity to respond. Let's work on it together and see if we can have a better process the next time. But I would not make the motion to reconsider.

Pat Melby said regarding the process: the QAP does lay it out pretty well. The way the QAP works is to establish a threshold for projects to be qualified for Tax Credit allocation. Typically, in the past the Board has granted those tax credits based on how those points came out in ranking, but basically, the QAP established a threshold for qualification and the Board has the authority after that to determine which of those qualified projects is going to get awarded. Problems come from having

requests for more tax credits than are available. Missoula Housing Authority said they hope the Board of Housing will give grave and serious consideration to the idea of what weight and what value to place on things like articles in The Missoulian because we don't control what they report and have no opportunity to respond. Jeff Rupp asked what MHA had in mind when they asked MBOH to provide other relief until another solution can be implemented. MHA responded that they needed help with the holding cost to carry the burden of holding this land for another year, probably somewhere around \$100,000. Jim Morton offered his support to hold 11 acres for the community. Mat Rude said anyone is able to apply to the Revolving Loan Account, now the Housing Montana Fund, which has about \$100,000 in it. It would be an interest bearing loan that would be like 2-3% and situations where land is becoming ridiculous is the reason for these loans. Jeanette would be very supportive of motion in lieu of the issue and the publicity. Jeff Rupp said he did not make a decision based upon what he read in the newspaper. Jeff Rupp moved to direct staff to work with the Missoula Housing Authority to see if there is not a way that we can assist in maintaining ownership of this land as a resource. Jeanette McKee seconded the motion. The Chairman asked for comments. Mat added that this is available, given funds, any time a development needs help. If anyone wants to come in and talk to us about financing, we have small limited resources in some areas and we can issue bonds. Jeff said this is different because we are asking to work with one specific project. He reiterated that this is not a slippery slope I'm starting today in terms of where it leads to the future. It is a business transaction as a loan dealing with land, but it is not a guarantee for any future actions of the Board. Sparrow Group offered to pay the interest on that loan to the Housing Authority to help MHA hold the land in Missoula. JP made the comment that he hopes that the motion is asking our staff to work with Missoula Housing Authority to keep this land only and it has nothing to do with the tax credit allocation. We are definitely not going down the road of that if anytime somebody doesn't get their tax credit allocation that we are going to help them out. JP said the Board acted properly last month and it is a threshold that Board could have funded the one that is the 90 points instead of the 115 points and on that route funded only rural projects instead. It has nothing to do with the way the Board made the decision but was based solely on the Board's discretion to fund any or as many as possible. He asked for any other comments. The motion passed unanimously.

FINANCE PROGRAM

Chuck Nemec said they are continuing to work with the co-manager review criteria and presented a draft of criteria for the Board to consider and give input to staff. Chuck presented the Investments Diversification & Average Yield report. He also gave the Investment Listing by Maturity Date and Individual Security report.

HOMEOWNERSHIP PROGRAM

Nancy Leifer announced that she successfully completed her dissertation for her doctorate degree and invited all to a celebration. Nancy said we recently started purchasing loans in the bridge program for the next bond issue. The bond issue closes on the 15th of May. Interest rates have been hovering around 6-6 1/8 % and MBOH rates are at 5¾%, so the MBOH rate is about where it should be. MBOH is ahead of the 10 year average for number of loans per month for April. It appears MBOH may become the lender of choice because of market conditions and therefore could run through the funds from the new bond issue sooner than anticipated.

Delinquency statistics for MBOH loans from January through April show there is a downward trend for MBOH loans. The status of the Real Estate Owned (REO) property has not changed much with a couple properties still pending. Nancy also presented some information about the impact of the sub-prime crisis on mortgage loans in general in Montana. Comparison of all mortgage loans in Montana with the United States for the 4th quarter of 2006 shows that Montana has only 2.9% of their mortgage loans that are sub-prime ARM mortgages compared to 6.6% in the United States. This information was compiled using information from the Mortgage Bankers Association which covers about 80% of the mortgages nationwide.

The Mortgage Credit Certificate (MCC) program has 13 loans made or reserved. The average loan size is increasing so we might not do as many loans, but still use all the funds by the time the program expires in the end of 2008.

The Board discussed income limits for large family households. The proposed limits would apply only to setaside programs that do not use 80% of HUD median income. Only the Chippewa Cree Housing Authority Malmstrom Housing Project and the Manhattan State Bank Essential Employees program would qualify at this time. The Board asked for various definitions like household, primary residence, size of house, and number of bedrooms. Betsy Scanlin moved to approve the staff proposal for extended household income limits. The motion was withdrawn and tabled. Pat cautioned that the income limits should be underwritten to ensure that they do not endanger the safety of any occupants and also not endangering MBOH security in the condition of the home. Jim Morton said they use HUD section 8 guidelines for HRC programs in Missoula to address this question.

Nancy presented a recommendation to increase the Purchase Price limits to the higher FHA mortgage limits. She mentioned consideration of bond cap usage, indicating that the Board might reach the point of using all of its bond cap within the next year or two. Higher loan and purchase limits would use the funds up more quickly. Bond counsel informed staff that we no longer need the designation between existing and new construction. Therefore, staff encouraged adopting the \$237,031 as the purchase price and mortgage loan limit statewide with the mortgage limit of \$200,160 for FHA loans. Betsy Scanlin moved to adopt the staff recommendation to retain the FHA mortgage limit at \$200,160 and all other purchase price and loan limits would be \$237,031 statewide. Susan Moyer seconded the motion. The Chairman asked for public comments. Jeff Rupp moved to amend the motion to add Flathead, Gallatin, and Missoula adjusted figures. The amended motion died for lack of a second. The original motion passed with Jeff voting against the motion. The Board encouraged getting the latest data on other high growth counties.

The Board selected Glacier Bank and Heritage Bank for Servicer Audits for the upcoming year from a list of lenders on a rotation schedule for every three years. The Legislative Auditors will randomly select two others from a list of servicers with portfolios of 30 to 250 loans. Jeff asked about a lender with repeated issues from the previous audit. Jeanette McKee moved to approve staff recommendation. Betsy Scanlin seconded the motion. The Chairman asked for public comments. Rachael Baker asked the Board to let her know of any issues and she will get the necessary information and response. The motion passed unanimously.

Setaside updates: The Chippewa Cree Housing Authority Rocky Boy project is close to getting the final documents in place. The Cooper Street lots in Red Lodge have a plan to focus on 80% and below units. The Mobile Home Park received a grant from the HOME Program and plan to have 30-

40 units. They will apply for a GDBG planning grant and a Rural Development loan. Pat Melby has been working with the Red Lodge - Mountain Springs Villa project to draft documents under Montana Law to establish a nonprofit cooperative mobile home park. Hopefully the documents will be a prototype for other parts of the state. Nancy reported that the volume of setaside loans is running between 6-7% of overall loans in the use of the new bond which made allowances for 10%.

Nancy suggested the potential idea of using the Pre-Ullman funds to assist situations with local non-profits, if they have HOME funds in properties that are being paid off, to convert the HOME funds with some additional capital to scattered-site land trust homes. MBOH could use the Pre-Ullman funds for short-term first mortgages to allow non-profits to purchase a home, then use the HOME equity for the land trust portion of the purchase and have a new family to purchase the first mortgage on the home. MBOH could do a loan for a non-profit to purchase the property in the interim period while it's available and looking for a new buyer. Nancy said that many of MBOH's setaside programs have now been pooled to provide first mortgage loans to go along with down-payment assistance to people at 80% of median income or below. Betsy requested more data to determine if the setasides are covering the rural area and confirm there is not an urban bias for setasides. Staff requested an increase in the income limits for the Disabled Accessible Program which have not been adjusted for at least 10 years. Jeff Rupp moved to increase the income limits as suggested by staff. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

EXECUTIVE DIRECTOR

Bruce Brensdal gave an update on the status of Legislative bills.

Jeff suggested having a video conference call for the Board QAP discussion. He also encouraged staff to look into the possibility of a uniform application for grants and have coordinated visits for compliance monitoring inspections. Bruce responded that it is a topic that will be brought up with the Housing Coordinating Team.

The next meeting is scheduled for June 6th in Glendive. Future meetings are tentatively scheduled for July 9th in Lewistown, August 6th in Kalispell, September 10th in Shelby, October 15th via Met-Net Video Conference, and November 19th in Helena.

The meeting adjourned at 11:52 a.m.

Susan Moyer, Secretary

Date